

Consolidated Financial Review for the First Quarter Ended June 30, 2015

Company name: **Tokyo Electron Limited**
URL: <http://www.tel.com>
Telephone number: (03) 5561-7000
Stock exchange listing: Tokyo Stock Exchange 1st Section (Code 8035)

Notes: 1. The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.
2. Amounts are rounded down to the nearest million yen.

1. Financial highlights for the three months ended June 30, 2015

(1) Operating results (Cumulative)

	Three months ended	
	June 30, 2014	June 30, 2015
Net sales (Millions of yen)	151,325	155,762
Operating income (Millions of yen)	17,069	30,279
Ordinary income (Millions of yen)	16,913	30,207
Net income attributable to owners of parent (Millions of yen)	11,835	19,481
Net income per share (Yen)	66.04	109.53
Fully diluted net income per share (Yen)	65.88	109.22
Comprehensive income: Three months ended June 30, 2015: 21,616 million yen Three months ended June 30, 2014: 12,241 million yen		

(2) Financial position

	As of March 31, 2015	As of June 30, 2015
Total assets (Millions of yen)	876,153	841,934
Net assets (Millions of yen)	641,162	627,384
Equity ratio (%)	73.0	74.2
Equity: 624,887 million yen (as of June 30, 2015) 639,483 million yen (as of March 31, 2015)		

2. Dividends

	Year ended March 31, 2015	Year ending March 31, 2016
1Q-end dividend per share (Yen)	10.00	-
2Q-end dividend per share (Yen)	30.00	105.00 (Forecast)
3Q-end dividend per share (Yen)	35.00	-
Year-end dividend per share (Yen)	68.00	83.00 (Forecast)
Annual dividend per share (Yen)	143.00	188.00 (Forecast)

Note: Revision of dividends forecast : Yes

3. Earnings forecasts for the year ending March 31, 2016

	Six months ending September 30, 2015 (Cumulative)	Year ending March 31, 2016
Net sales (Millions of yen)	338,500	645,000
Operating income (Millions of yen)	53,500	95,000
Ordinary income (Millions of yen)	53,500	95,000
Net income attributable to owners of parent (Millions of yen)	37,000	66,000
Net income per share (Yen)	209.04	373.78

Notes: Revision of earnings forecast : Yes

4. Others

- (1) Important changes in subsidiaries: None
(Changes on specific subsidiaries with changes in scope of consolidation)
- (2) Changes in accounting principles, accounting estimation and restatement
 1. Changes in accounting policies along with changes in accountins standards: Yes
 2. Other changes of accounting policies besides number 1 above: None
 3. Changes in accounting estimation: None
 4. Restatement: None
- (3) Number of shares issued and outstanding (common stock)
 1. Number of shares issued and outstanding (including treasury stock)
 - As of June 30, 2015: 180,610,911 shares
 - As of March 31, 2015: 180,610,911 shares
 2. Number of shares of treasury stock
 - As of June 30, 2015: 4,469,768 shares
 - As of March 31, 2015: 1,344,892 shares
 3. Average number of shares outstanding
 - As of June 30, 2015: 177,865,767 shares
 - As of June 30, 2014: 179,203,670 shares

Notification of the status of quarterly financial review procedures:

This quarterly financial report is outside the jurisdiction of auditing procedures outlined in the Financial Instruments and Exchange Act and remain incomplete at the time of announcing this report.

Explanations on the appropriate use of earnings forecast:

The performance forecast and estimate stated in this Financial Review are based on certain assumptions judged to be reasonable at the present time in light of information currently available. Consequently, actual operating results may differ substantially from the projections in this Financial Review.

The company plans to hold a financial meeting for analysts and investors on Tuesday, July 28, 2015. The supplementary materials to these financial reports that will be handed out at this meeting will be posted simultaneously on our company website.

1. Qualitative Information on Financial Results for the Current Quarter

(1) Description of Operating Results

During the first quarter of the current fiscal year, while certain sectors showed some weakness, recent performance of the global economy has been sound. In Japan too, backed by the government's economic and fiscal policies, business continued to sustain a moderate recovery.

In the electronics industry, the primary area of the Tokyo Electron (TEL) Group's business activities, while demand for personal computers is exhibiting some sluggishness, demand in the high performance smartphone market remains strong, and demand for servers, etc. needed to support the trend toward increasing digital data communications remains firm.

Under these circumstances, the Group's consolidated results (cumulative) for the first quarter of the current fiscal year were net sales of 155,762 million yen (a year-on-year growth of 2.9%), operating income of 30,279 million yen (a year-on-year growth of 77.4%), ordinary income of 30,207 million yen (a year-on-year growth of 78.6%), and quarterly net income attributable to owners of parent of 19,481 million yen (a year-on-year growth of 64.6%).

The overview of each business segment is as described below.

As of the first quarter of the current fiscal year, the Photovoltaic Panel (PV) Production Equipment business, from which we announced our intentions to withdraw, diminished in importance. Therefore, it has been removed from the reportable segments and included in "Others." The year-on-year comparisons below are based on figures reclassified into segments after the amendment of year-on-year figures.

(i) Semiconductor Production Equipment

Buoyed by the demand for DRAM and NAND flash memory used in high performance smartphones and data center servers, capital investment by memory manufacturers remained strong, while manufacturers of logic-based semiconductors also continued their capital investment in cutting-edge technology. As a result, net sales to external customers in this segment in the first quarter of the current fiscal year were 140,365 million yen (a year-on-year growth of 3.1%).

(ii) Flat Panel Display (FPD) Production Equipment

In the market for FPD production equipment, while capital investment in large-sized flat panel displays continues in China, there has been an evident lull in investment there in small and medium-sized flat panels. Against this backdrop, net sales to external customers in this segment in the first quarter of the current fiscal year were 10,070 million yen (a year-on-year decrease of 27.7%).

(iii) Others

Net sales to external customers in this segment in the first quarter of the current fiscal year were 5,326 million yen (a year-on-year growth of 319.6%).

(For reference)**Consolidated Operating Results**

(Millions of yen)

	FY 2015 Full Year	FY 2015				FY 2016 1Q
		1Q	2Q	3Q	4Q	
Net Sales	613,124	151,325	142,948	137,021	181,829	155,762
Semiconductor Production Equipment	576,242	136,126	136,500	131,993	171,622	140,365
Japan	87,747	13,421	26,084	19,081	29,160	25,011
U.S.	135,341	33,790	33,906	32,041	35,603	30,776
Europe	58,768	12,530	12,189	19,054	14,992	17,053
Korea	97,364	22,451	14,695	18,103	42,114	28,140
Taiwan	139,423	38,456	38,352	28,598	34,017	23,130
China	39,713	13,911	7,069	6,322	12,409	14,084
S.E.Asia	17,883	1,565	4,202	8,791	3,324	2,169
FPD Production Equipment	32,709	13,929	5,099	3,751	9,928	10,070
Others	4,172	1,269	1,348	1,276	278	5,326
Operating Income	88,113	17,069	13,045	22,081	35,916	30,279
Ordinary Income	92,949	16,913	14,860	25,005	36,169	30,207
Net Income Attributable to Owners of Parent	71,888	11,835	8,181	17,451	34,420	19,481

Note: Offset elimination has been carried out on the dealing between segments.

Production and Order Performance**1. Production**

(Millions of yen)

	FY 2015 Full Year	FY 2015				FY 2016 1Q
		1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	559,926	124,318	123,037	145,775	166,795	147,830
FPD Production Equipment	33,230	7,419	3,033	10,953	11,824	10,435
Others	3,488	1,081	1,191	1,110	105	5,124
Total	596,645	132,818	127,262	157,839	178,724	163,390

Note: 1. Amounts are based on sales prices.

2. The above amounts do not include consumption taxes.

2. Orders Received

(Millions of yen)

	FY 2015 Full Year	FY 2015				FY 2016 1Q
		1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	626,795	137,297	142,474	167,264	179,759	156,663
FPD Production Equipment	35,301	14,280	4,849	3,474	12,696	11,847
Others	(1,129)	708	133	1,559	(3,530)	1,835
Total	660,967	152,286	147,457	172,298	188,924	170,346

Note: 1. Offset elimination has been carried out on the dealing between segments.

2. The above amounts do not include consumption taxes.

3. Orders Backlog

(Millions of yen)

	FY 2015				FY 2016 1Q
	1Q	2Q	3Q	4Q	
Semiconductor Production Equipment	211,085	217,059	252,330	260,467	276,766
FPD Production Equipment	29,371	29,121	28,844	31,611	33,388
Others	8,433	7,219	7,501	3,692	201
Total	248,889	253,399	288,675	295,771	310,355

Note: 1. Offset elimination has been carried out on the dealing between segments.

2. The above amounts do not include consumption taxes.

(2) Description of Financial Conditions

(i) Financial Conditions

Current assets at the end of the first quarter of the current fiscal year were 640,236 million yen, down by 30,646 million yen compared to the end of the previous fiscal year. The major factors influencing this result were a 19,558 million yen decrease in prepaid consumption taxes, a 12,883 million yen decrease in trade notes and accounts receivable, a 9,938 million yen decrease in cash and deposit, an 8,807 million yen decrease in short-term investments included in securities, and a 19,222 million yen increase in inventories. Tangible fixed assets decreased by 1,559 million yen from the end of the previous fiscal year, to 105,336 million yen.

Intangible fixed assets decreased by 386 million yen from the end of the previous fiscal year, to 27,180 million yen.

Investments and other assets decreased by 1,627 million yen from the end of the previous fiscal year, to 69,180 million yen.

As a result, total assets decreased by 34,219 million yen from the end of the previous fiscal year, to 841,934 million yen.

Current liabilities were down 17,285 million yen compared to the end of the previous fiscal year, to 155,527 million yen. The major factors causing the decrease were an 8,545 million yen decrease in customer advances, a 6,941 million yen decrease in accrued employees' bonuses, a 5,437 million yen decrease in trade notes and accounts payable, and a 2,971 million yen increase in payable income taxes.

Long-term liabilities were down 3,156 million yen compared to the end of the previous fiscal year, to 59,022 million yen.

Net assets were down 13,777 million yen compared to the end of the previous consolidated fiscal year, to 627,384 million yen. The main factors were an increase due to reported quarterly net income attributable to owners of parent of 19,481 million yen, a decrease of 24,119 million yen due to the purchase of treasury stock, and a decrease as a result of the payment of 12,190 million yen in year-end dividends for the previous fiscal year. As a result, the equity ratio was 74.2%.

(ii) Cash Flow

Cash and cash equivalents at the end of the first quarter of the consolidated fiscal year decreased by 48,734 million yen compared to the end of the previous consolidated fiscal year to 268,897 million yen. The combined balance including 30,038 million yen in time deposits and short-term investments with periods of maturity or redemption of at least three months, that are not included in cash and cash equivalents was 298,936 million yen, down 18,746 million yen from the end of the previous fiscal year. The overall situation regarding cash flow during the first quarter of the current fiscal year was as described below.

Cash flow from operating activities was positive 17,394 million yen, up 946 million yen compared to the end of the previous fiscal year. The main positive factors were 29,099 million yen in quarterly net income before income taxes, a 19,564 million yen decrease in prepaid consumption taxes, and a decrease of 13,427 million yen in trade notes and accounts receivable. The main negative factors were an 18,515 million yen increase in inventories, a 9,387 million yen decrease in customer advances, a 6,992 million yen decrease in accrued bonuses, and a 6,123 million yen decrease in accounts payable.

Cash flow from investing activities was negative 32,028 million yen compared to positive 21,060 million yen in the same period of the previous year. The primary negative factors were 29,987 million yen in payments associated with an increase in time deposits and short-term investments, and payment of 2,152 million yen for the acquisition of tangible fixed assets.

Cash flow from financing activities was negative 36,362 million yen, compared to negative 4,614 million yen in the same period of the previous fiscal year. This was primarily the result of the payment of 24,119 million yen for the purchase of treasury stock, and the payment of 12,190 million yen in dividends.

Consolidated Cash Flow (Summary)

(Millions of yen)

	Three month ended June 30, 2014	Three month ended June 30, 2015
Cash flow from operating activities	16,447	17,394
Income before income taxes (loss)	15,022	29,099
Depreciation and amortization	4,717	4,624
Decrease in trade notes and accounts receivable (increase)	8,231	13,427
Decrease in inventories (increase)	4,992	(18,515)
Increase in accounts payable (decrease)	(4,096)	(6,123)
Others	(12,420)	(5,117)
Cash flow from investing activities	21,060	(32,028)
Decrease in time deposits and short-term investments (increase)	22,300	(29,987)
Others (purchase of fixed assets)	(1,239)	(2,041)
Cash flow from financing activities	(4,614)	(36,362)
Decrease in treasury stock (increase)	(38)	(24,119)
Others	(4,576)	(12,242)
Effect of exchange rate changes on cash and cash equivalents	1,273	2,262
Net increase in cash and cash equivalents (decrease)	34,166	(48,734)
Cash and cash equivalents at beginning of period	104,797	317,632
Cash and cash equivalents at end of period	138,963	268,897
Cash and cash equivalents and time deposits and short-term investments with periods to maturity or redemption of at least three months that are not included in cash and cash equivalents	280,011	298,936

(3) Description of Financial Estimates Information such as Consolidated Performance Forecasts

In light of the semiconductor market environment and our current orders, we will make a revision to our earnings forecast for the second quarter of the current fiscal year as well as our forecast for the full year.

Consolidated Forecast

(Billions of yen, Y/Y change)

	FY2016(E)			
	Interim		Full Year	
Net Sales	338.5	15.0%	645.0	5.2%
Semiconductor Production Equipment	315.0	15.5%	594.0	3.1%
FPD Production Equipment	18.0	-5.4%	45.0	37.6%
Others	5.5	110.1%	6.0	43.8%
Operating Income	53.5	77.7%	95.0	7.8%
Ordinary Income	53.5	68.4%	95.0	2.2%
Net Income Attributable to Owners of Parent	37.0	84.8%	66.0	-8.2%

Note: Offset elimination has been carried out on the dealing between segments.

Note: The financial forecasts and estimates stated in this announcement are based on certain assumptions judged to be reasonable by the Company in light of information currently available concerning economic conditions in Japan and overseas, fluctuations in foreign exchange rates, and other factors that may have an impact on performance. The company does not promise that the forecasts or estimates will be accurate.

They are therefore susceptible to the impact of many uncertainties, including market conditions, competition, the launching of new products (and their success or failure), and global conditions in the semiconductor related industry. Consequently, actual sales and profits may differ substantially from the projections stated in this announcement.

Consolidated Balance Sheet

TOKYO ELECTRON

	(Millions of yen)	
	As of March 31, 2015	As of June 30, 2015
ASSETS		
Current assets		
Cash and deposit	79,382	69,443
Trade notes and accounts receivable	110,845	97,961
Securities	238,532	229,492
Merchandise and finished goods	112,301	126,313
Work in process	41,483	44,413
Raw materials and supplies	21,803	24,083
Others	66,913	48,620
Allowance for doubtful accounts	(378)	(93)
Total current assets	670,882	640,236
Long-term assets		
Tangible fixed assets	106,896	105,336
Intangible fixed assets		
Goodwill	9,067	8,957
Others	18,499	18,222
Total intangible fixed assets	27,566	27,180
Investments and other assets		
Others	72,692	71,072
Allowance for doubtful accounts	(1,884)	(1,892)
Total investments and other assets	70,807	69,180
Total long-term assets	205,271	201,698
Total assets	876,153	841,934

	(Millions of yen)	
	As of March 31, 2015	As of June 30, 2015
LIABILITIES		
Current liabilities		
Trade notes and accounts payable	56,478	51,041
Income taxes payable	6,196	9,168
Accrued warranty expenses	10,441	10,305
Other allowance	13,151	5,368
Others	86,543	79,643
Total current liabilities	<u>172,812</u>	<u>155,527</u>
Long-term liabilities		
Other allowance	374	374
Net defined benefit liability	51,104	51,041
Others	10,699	7,605
Total long-term liabilities	<u>62,178</u>	<u>59,022</u>
Total liabilities	<u>234,991</u>	<u>214,549</u>
NET ASSETS		
Shareholders' equity		
Common stock	54,961	54,961
Capital surplus	78,023	78,023
Retained earnings	488,816	496,043
Treasury stock	(9,064)	(33,008)
Total shareholders' equity	<u>612,736</u>	<u>596,019</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,463	10,016
Deferred gains or losses on hedges	122	94
Translation adjustments	12,481	14,609
Remeasurements of defined benefit plans	4,681	4,147
Total accumulated other comprehensive income	<u>26,747</u>	<u>28,868</u>
Subscription rights to shares	<u>1,420</u>	<u>2,276</u>
Non-controlling interests	<u>257</u>	<u>220</u>
Total net assets	<u>641,162</u>	<u>627,384</u>
Total liabilities and net assets	<u>876,153</u>	<u>841,934</u>

Consolidated Statement of Income

	(Millions of yen)	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Net sales	151,325	155,762
Cost of sales	95,942	90,057
Gross profit	55,383	65,704
Selling, general & administrative expenses		
Research and development expenses	16,754	17,577
Others	21,558	17,848
Total selling, general & administrative expenses	38,313	35,425
Operating income (loss)	17,069	30,279
Non-operating income		
Dividend revenue	305	268
Others	557	600
Total non-operating income	863	869
Non-operating expenses		
Foreign currency translation loss	852	810
Others	166	130
Total non-operating expenses	1,019	941
Ordinary income (loss)	16,913	30,207
Unusual or infrequent profit		
Gain on sale of fixed assets	55	258
Gain on sale of investment securities	54	-
Total unusual or infrequent profit	110	258
Unusual or infrequent loss		
Loss on sales of subsidiaries and affiliates' stocks	1,609	1,110
Others	392	255
Total unusual or infrequent loss	2,001	1,366
Income (loss) before income taxes	15,022	29,099
Income taxes	3,169	9,610
Net income (loss)	11,853	19,488
Net income (loss) attributable to non-controlling interests	18	7
Net income (loss) attributable to owners of parent	11,835	19,481

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Net income (loss)	11,853	19,488
Other comprehensive income		
Valuation difference on available-for-sale securities	269	555
Deferred gains or losses on hedges	(117)	(32)
Translation adjustments	739	2,129
Remeasurements of defined benefit plans	(498)	(521)
Share of other comprehensive income of associates accounted for using equity method	(5)	(3)
Total other comprehensive income	387	2,127
Comprehensive income	12,241	21,616
(Breakdown)		
Comprehensive income attributable to owners of parent	12,221	21,602
Comprehensive income attributable to non-controlling interests	19	14

Notes to Remarkable Changes in Shareholders' Equity

Tokyo Electron Limited executed the purchase of treasury stock based on the resolution of its Board of Directors dated April 27, 2015. Due to the purchase and other transactions, the amount of treasury stock of the company increased by 23,944 million yen for the first quarter of the current fiscal year and resulted in 33,008 million yen at the end of the first quarter of the current fiscal year.

Segment Information

(i) Overview of reportable segments

The reportable segments by the company provide separate financial information pertaining to the various segments of the company, which is reviewed periodically by the management to evaluate corporate performance as well as make decisions about the allocation of management resources.

The corporate structure consists of product and service segments based on business units (BUs), and the reportable segments are as follows: Semiconductor Production Equipment and Flat Panel Display (FPD) Production Equipment.

The Semiconductor Production Equipment segment consists of coaters/developers, plasma etch systems, thermal processing systems, single wafer deposition systems, cleaning systems used in wafer processing, wafer probers used in the wafer testing process and other semiconductor production equipment, and we are engaged in the development, manufacturing, sales and provision of maintenance services, etc. for such products.

The FPD Production Equipment segment consists of coaters/developers, plasma etch/ash systems used in the manufacturing of flat panel displays, and we are engaged in the development, manufacturing, sales and provision of maintenance services, etc. for such products.

(ii) Net sales and income (loss) in reportable segments

Three months ended June 30, 2015

(Millions of yen)

	Reportable Segments		Others	Total
	Semiconductor Production Equipment	FPD Production Equipment		
Net sales	140,365	10,070	8,202	158,638
Segment income (loss)	32,240	1,343	2,184	35,767

	Eliminations	Consolidated Total
Net sales	(2,876)	155,762
Segment income (loss)	(6,668)	29,099

Notes:

- The "Others" is all other businesses segment which are not included in the reported business segments, such as the transportation of products, facility management and insurance of the Tokyo Electron Group and Photovoltaic Panel (PV) Production Equipment.
- The eliminations of segment income amounting to 6,668 million yen includes corporate expenses pertaining to the corporate account which are not allocated to any specific reportable segments. The corporate account expenses are mainly R&D expenses of 3,083 million yen, pertaining to fundamental research and element research conducted by the company not related to any of the reportable segments.
- Segment income is adjusted against income before income taxes in consolidated statement of income.

Segment Information

(iii) Items Related to Changes in Reportable Segments

From the first quarter of the current fiscal year, the Photovoltaic Panel (PV) Production Equipment business diminished in importance. Therefore, it has been removed from the reportable segments and included in "Others."

(iv) Impairment losses on fixed assets and goodwill, etc. in reportable segments

Significant impairment losses related to fixed assets: None

Significant changes in goodwill amount: None

Significant income related to negative goodwill: None